



Establishing an EBT System: State Considerations

A growing number of States are beginning to use electronic benefit transfer (EBT) systems to pay child care providers. In most States, the Lead Agency pays the provider directly; however, in some States the Child Care and Development Fund (CCDF) Lead Agency gives the benefit (subsidy) to the parent to pay the child care provider. The EBT systems used by States are different depending on a State's management structure and other factors. Some States provide swipe cards to clients while others use Web-automated or phone-automated payment methods. States identify several reasons for using EBT systems, including:

- Simplified payment process for parents and providers;
- Greater involvement of parents in the payment process (more closely replicates process for fee-paying parents);
- Enhanced ability to prevent improper payment; and
- Increased efficiencies for Lead Agency staff.

The following are some of the questions and issues that States have considered regarding EBT implementation.

Technology/Data Systems Considerations

- What equipment is needed to implement the system (e.g. hardware, support hardware [cards and embossers], and POS [Point of Sale device] software)?
- Will the system include issuance of a debit card?
- Will the system track time and attendance or attendance only?
- Will the system link to or interface with programs such as Temporary Assistance for Needy Families (TANF), Food Stamp, Child and Adult Care Food Program (CACFP), and child support?
- Will the system have flexibility to adjust to changes in payment rates, parent co-payments, and other policy changes?
- Will the system have the capacity to produce reports/flags to help identify and prevent improper payments?

EBT Card Issuance Considerations

- What processes should be established for issuing debit cards to clients (e.g. PIN number selection, card replacement policies, and others)?
- What types of training will parents and providers need in order to use the system?

Budget Considerations

- What are the hardware and software costs?
- What are the maintenance costs?
- Will providers who do not return a POS device be charged for the replacement cost?
- Will parents be responsible for replacement costs if a debit card is lost or stolen?
- What will be the cost of training parents, providers, contractors, and agency staff?

Internal Management Considerations:

- Are payments made by the contractor or CCDF Lead Agency?
 - What are the implications for allocating and spending funds?
 - How will the State remain separate from the employer-employee relationship with child care providers?
- Can Lead Agency staff monitor attendance and payments at any point in time?
- Will hard copies of sign-in sheets or other child care provider records have to be maintained by the child care program or subsidy administrator for auditing purposes?
- Can the system be linked to a larger fraud prevention unit?
- Can the system protect against collusion?
- Will the system require changes in Lead Agency staffing or staff qualifications?

Provider Payment Considerations

- How will the provider payment process impact other payment rate policies, including:
 - Absent-day pay?
 - Attendance versus enrollment payment policies?
 - Attendance and billing record keeping?
 - Nonauthorized supplemental payments for additional hours?
- Will all providers be paid through the same system or will they be allowed to choose payment systems that best meet their needs?
- Will the new payment structure impact the rate and sliding fee scale structure (e.g. age range, provider type, and payment unit)?
- How often will payments be made (e.g. weekly, biweekly, monthly)?

Parental Access and Choice Considerations

- Will the system allow parents to use all types of legal care?
- Will the system track co-payments for multiple children in care or for multiple providers?
- Can parents be approved for more than one provider?
- Does the system protect parents against overcharges or overpayments?

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September 2007